

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

-----	x	Chapter 11
In re:	:	
	:	Case No. 02-02771-BGC-11
SHOOK & FLETCHER INSULATION CO.,	:	
	:	
Debtor.	:	
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**RESPONSE OF TRAVELERS CASUALTY AND SURETY COMPANY
TO THE DEBTOR'S MOTION FOR AN ORDER (i) SCHEDULING A COMBINED
HEARING ON APPROVAL OF THE DISCLOSURE STATEMENT AND
SOLICITATION PROCEDURES, AND TO CONSIDER CONFIRMATION OF THE
PREPACKAGED PLAN OF REORGANIZATION, (ii) ESTABLISHING DEADLINES
AND PROCEDURES FOR FILING OBJECTIONS TO THE ADEQUACY OF THE
DISCLOSURE STATEMENT AND SOLICITATION PROCEDURES ON
CONFIRMATION OF THE PLAN, AND (iii) APPROVING FORM AND MANNER OF
NOTICE OF CONFIRMATION HEARING**

Travelers Casualty and Surety Company (f/k/a The Aetna Casualty and Surety Company, and hereinafter referred to as "Travelers"), by and through its undersigned counsel, respectfully submits this Response to the Debtor's Motion For An Order (i) Scheduling A Combined Hearing On Approval Of The Disclosure Statement And Solicitation Procedures, And To Consider Confirmation Of The Prepackaged Plan Of Reorganization, (ii) Establishing Deadlines And Procedures For Filing Objections To The Adequacy Of The Disclosure Statement And Solicitation Procedures On Confirmation Of The Plan, And (iii) Approving Form And Manner Of Notice Of Confirmation Hearing (the "Motion"). In support of its Reponse, Travelers represents as follows:

PRELIMINARY STATEMENT

As described more fully herein, Travelers is a creditor of Shook & Fletcher Insulation Co. ("Shook" or the "Debtor") that is owed over \$2,000,000, for which the Debtor's

proposed chapter 11 plan provides no means for payment. Travelers is also the issuer of several insurance policies to the Debtor that are the subject of two pending arbitration proceedings. The Debtor now seeks, by its proposal of a “prepackaged” chapter 11 plan and the relief sought in the Motion, to end in an expedited and abbreviated proceeding its decades-long involvement in asbestos litigation, while simultaneously preserving its operating value for its two existing shareholders, Mr. Wayne Killion and his son, Dr. Wayne Killion, Jr. (the “Killions”) and enriching certain of the Killions’ “Preferred Creditors.” Shook’s bankruptcy case is the proposed final step in a complex scheme devised by the Killions to enable them to isolate Shook’s asbestos liabilities and keep virtually all of Shook’s non-insurance assets for themselves at the expense of Travelers and other unsecured creditors.

Over at least the last three years preceding the filing of its “prepackaged” bankruptcy case, the Killions engaged in a complex web of less-than-arms-length transactions concerning Shook’s asbestos-related liabilities. The Killions’ fraudulent scheme is described in Travelers Complaint against the Killions, and several other participants in the scheme, filed in the United States District Court for the Northern District of Alabama prior to the filing of Shook’s bankruptcy petition, a copy of which is attached hereto as Exhibit A. As more fully set forth therein, upon information and belief this scheme involved, *inter alia*:

- the distribution of 100% of the stock of a profitable Shook subsidiary – Shook Fletcher Supply Co. of Alabama, Inc. (“Shook Supply”) to the Killions;
- the distribution of an unidentified amount of cash to the Killions over at least six years;
- the grant of a security interest in all of Shook’s non-insurance assets to Shook Supply, now wholly owned by the Killions;
- the less-than-arms-length transactions between Shook and various entities prior to the filing of Shook’s “prepackaged” bankruptcy case; and
- the purported settlement of various avoidable pre-petition transfers.

The circumstances leading up to and culminating in Shook's bankruptcy filing call into serious doubt the good faith of Shook and the Killions and the adequacy of the disclosures related to, as well as the confirmability, of the proposed Plan. Moreover, Shook's Motion for a scheduling order betrays its true colors – rather than expose its conduct and these transactions to Court and creditor scrutiny, the Debtor seeks to have this Court rush through the confirmation process and approve the Disclosure Statement and proposed Plan without sufficient disclosure regarding, or any meaningful opportunity to investigate or analyze the propriety of, the proposed Plan and the transfers and settlements incorporated therein.

In that regard, Travelers is serving discovery requests upon the Debtor, including document requests to the Debtor and deposition notices for the Killions and other Shook executives who have important information concerning Shook's pre-petition conduct. In addition, Travelers is serving third-party subpoenas on the entities involved in the negotiation of the pre-petition agreements that led to the filing of Shook's "prepackaged" bankruptcy, including R. Scott Williams, Esq. (as the proposed representative of future asbestos claimants), MFR Consulting Services, Inc., L. Tersigni Consulting, Inc., and the Center for Claims Resolution, Inc.¹

Such discovery is necessary to unearth information, noticeably absent from Shook's Disclosure Statement, that materially affects the confirmability of Shook's proposed Plan. Such information includes the circumstances surrounding the conveyance of substantially all of Shook's non-insurance assets to the Killions and the complex web of less-than-arms-length agreements that led to the filing of the "prepackaged" bankruptcy case, the effect of which is not

¹ A copy of the request for production of documents to Shook is attached hereto as Exhibit B. The information requested by subpoenas to third-parties involved in the preparation of Shook's prepackaged bankruptcy are appropriately tailored to seek information concerning those entities' particular involvement in the pre-petition transactions so as not to be overbroad or burdensome.

only to make it impossible for Shook to pay the claims of Travelers, but also to leave future asbestos claimants as unsecured creditors with a questionable claim against insurance policies, while at the same time securing (i) the claims of presently known asbestos claimants, (ii) a \$3,000,000 “fee” for asbestos claimants’ counsel, (iii) a \$1,000,000 fee for Shook’s insurance coverage counsel, and (iv) the claims of other “professionals” that aided and abetted Shook’s apparently fraudulent scheme.

Not surprisingly, Shook’s Motion seeks to shorten the time for Travelers, and more importantly the Court, to perform any meaningful evaluation of Shook’s fraudulently conceived Plan, in an effort to thwart any investigation into Shook’s and other parties’ pre-petition conduct and railroad through a plan that improperly benefits only those who participated in its conception and proposal. Shook’s argument that the Court and the parties be given less than a month after serving notice of the confirmation hearing to review and understand the complex series of self-dealing transactions that it took Shook and the Killions years to orchestrate is palpably improper. A good faith debtor proposing a plan that was fair and equitable to all concerned would neither require nor request such expedited and superficial treatment – but Shook’s “Plan” is clearly otherwise.

Although Travelers agrees that the Court should enter a scheduling order, Travelers submits that Shook’s suggested schedule is wholly inadequate to allow even superficial inquiry into the facts and circumstances underlying the proposed Plan, let alone a proper investigation into Shook’s pre-petition conduct and an evaluation of the viability of Shook’s proposed Plan. Travelers respectfully requests, therefore, that the Motion be granted on a modified basis with the Court entering an order setting forth the schedule proposed herein that will allow Travelers and other parties in interest sufficient time to conduct appropriate discovery.

STATEMENT OF FACTS

A. Travelers Claim Against Shook Under the Wellington Agreement

Shook & Fletcher Insulation Co. is a Delaware corporation that is 100% owned by the Killions. On June 19, 1985, a number of asbestos “producers” (including Shook) and certain of their liability insurers (including Travelers) entered into an Agreement Concerning Asbestos-Related Claims, commonly referred to as the “Wellington Agreement.” The Wellington Agreement concerns the manner in which asbestos-related bodily injury claims brought against the asbestos producers are to be handled under the policies issued by the signatory insurers.

Travelers, First State Insurance Company, an affiliate of Hartford Financial Services Group, Inc. (“Hartford”), Certain Underwriters at Lloyd’s of London and London Market Insurance Companies (“London”) and Reliance Insurance Company (“Reliance”), all of which had issued liability policies to Shook, are parties to the Wellington Agreement (collectively, the “Signatory Insurers”). Certain other liability insurers of Shook, however, did not sign the Wellington Agreement (the “Non-Signatory Insurers”).

Pursuant to the Wellington Agreement, Shook is obligated to pursue reasonable best efforts to obtain a final and reasonable settlement or final judicial determination concerning the application of insurance policies issued by Non-Signatory Insurers to asbestos-related claims and, once received, to use the judgment or settlement proceeds to pay asbestos-related claims. The Wellington Agreement further provides that until a settlement or judgment is obtained with respect to the Non-Signatory Insurers, the Signatory Insurers, including Travelers, under certain circumstances, will pay amounts that would otherwise be owed by the Non-Signatory Insurers. If Shook does not obtain a judgment or settlement from a Non-Signatory Insurer within two years after Travelers or another Signatory Insurer makes payments that should otherwise have been made by the Non-Signatory Insurer, Section XX of the Wellington Agreement provides that

interest shall begin to accrue on such payments and that the interest will be paid by Shook to the Signatory Insurer.

In furtherance of its obligations under the Wellington Agreement, Travelers has made payments that entitle it to interest reimbursement. To date, however, Shook has refused to pay Travelers more than \$2 million in interest owed under the Wellington Agreement.

As Shook admits in its Disclosure Statement, on March 20, 2000, pursuant to the alternative dispute resolution ("ADR") provisions of the Wellington Agreement, Travelers initiated an ADR proceeding against Shook, seeking payment of the interest owed by Shook (the "Interest ADR"). Travelers is also entitled to recover pre-judgment interest and attorneys' fees in connection with this claim in an amount to be determined. Pursuant to the arbitration provisions of the Wellington Agreement, which are binding and enforceable under the Federal Arbitration Act, 9 U.S.C. §§ 1-16 ("FAA"), the parties are obligated to resolve this dispute through mediation, and then if mediation is unsuccessful, through arbitration, in accordance with the Wellington Agreement arbitration provisions. The Interest ADR is still pending.

B. The Killions' Pre-Bankruptcy Conduct

On April 8, 2002 (the "Petition Date"), Shook filed a Voluntary Petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). Shook alleges that it filed this bankruptcy case because numerous tort claims have been filed against it by persons seeking damages for asbestos-related personal injuries. Currently, the Debtor is in possession of its property and managing its business as debtor-in-possession pursuant to Bankruptcy Code Sections 1107 and 1108. As of the date hereof, no official committee of creditors has been appointed.

1. The Fraudulent Conveyances

Over the course of the last few years, Shook, under the direction and control of the Killions, has engaged in a series of fraudulent conveyances that have been designed to enrich the Killions and protect their interests in Shook and its operating assets at the expense of Shook's creditors, including Travelers. These conveyances include an August 1999 transaction involving a former subsidiary of Shook – Shook & Fletcher Supply Co. of Alabama, Inc. ("Shook Supply"). Through this transaction (the "1999 Stock Distribution"), Shook made a gratuitous transfer of Shook Supply's stock to the Killions. The apparent purpose of this gratuitous transfer was to attempt to place one of Shook's most valuable assets beyond the reach of Shook's creditors, including Travelers. In addition, within the last six years, the Killions have also caused Shook to make various distributions of cash to them, the amount of which is not disclosed in Shook's Disclosure Statement, all without fair consideration (the "Cash Distributions").

2. The Pre-Bankruptcy Transactions

In December 2001, Shook entered into a series of inter-related agreements designed to set the stage for an anticipated bankruptcy filing (the "Pre-Bankruptcy Transactions"), through which, together with the 1999 Stock Distribution and the Cash Distributions, the Killions propose to emerge with substantially all of Shook's current and former assets and none of Shook's asbestos liabilities. The Pre-Bankruptcy Transactions were entered into between Shook and, *inter alia* (i) various asbestos claimants represented by Joseph Rice, Esq. (the "Claimant Agreement"); (ii) Hartford (the "Hartford Agreement"), (iii) the Center for Claims Resolution (the "CCR Agreement"); and (iv) certain asbestos claimants holding "settled but not paid" claims (the "SBNP Agreement").

The Claimant Agreement. The Claimant Agreement provides for the payment of claims held by “present” asbestos claimants who are represented by Joseph Rice, Esq., of the firm of Ness, Motley, Loadholt, Richardson & Poole, located in Mount Pleasant, South Carolina, as counsel for the claimants who are subject to the Claimant Agreement (the “Rice Claimants”), a substantial portion of which claims are contingent, not having been liquidated by settlement or judgment. The Claimant Agreement further provides that on the date of execution thereof, Shook would grant to the Trustee of the Trust a security interest in all of Shook’s insurance rights, including, but not limited to, the right to have monies expended by Hartford to satisfy claims against Shook pursuant to the Hartford Agreement, described below.

Pursuant to the Claimant Agreement, the security interest granted thereunder secured a portion of the aggregate Settlement Amounts to be paid to the Rice Claimants equal to the lesser of (a) the sum of \$63.6 million or (b) seventy-five percent (75%) of the aggregate of all Settlement Amounts (the “Secured Claim Amount”). Any amounts that remained unsatisfied above and beyond the Secured Claim Amount would be treated as unsecured.

The Hartford Agreement. The Hartford Agreement provides that Hartford will pay a total of \$105,750,000 in connection with asbestos-related claims against Shook. The Hartford Agreement reflects that in September 2001, Hartford entered into an interim funding arrangement with Shook, by which it agreed to pay (i) certain defense costs associated with asbestos-related claims; and (ii) \$1 million to the CCR on behalf of Shook, which payments were to be credited against the total settlement amount.

Under the Hartford Agreement, settlement payments by Hartford are to be made in the first instance directly to Joseph Rice as counsel for the Rice Claimants, and then to the Trust,

for the benefit, *inter alia*, of the Rice Claimants, the CCR and certain “settled but not paid” claimants, described more fully below.

The CCR Agreement. The Center for Claims Resolution, with whom Shook entered into the CCR Agreement, is a claims-handling entity formed by Shook and a number of other asbestos defendants in 1988. The CCR was responsible for defending, settling and otherwise handling asbestos-related bodily injury claims on behalf of Shook and the other CCR member companies. Typically, the CCR would enter into settlements as agent for its member companies, including Shook. Each member would be obligated to pay a certain portion of each settlement in accordance with an agreed-upon formula.

The CCR Agreement, which Shook entered into in December 2001, concerned settlement amounts and associated expenses that the CCR or its members purportedly advanced on behalf of Shook, for which Shook did not reimburse the CCR or its members. According to the CCR Agreement, these unreimbursed payments totaled approximately \$37,681,171, which also represents the Settlement Amount under the Agreement. Pursuant to the CCR Agreement, the Settlement Amount is to be paid exclusively from the insurance proceeds in the Trust, in accordance with the Trust Agreement, and such payment is to be secured by Shook’s assignment of insurance rights to the Trust, including the proceeds of the Hartford Agreement.

The SBNP Agreement. The SBNP Agreement concerns various asbestos claimants who have entered settlements with Shook, through the CCR, but who have not received the amount Shook was obligated to pay under the settlement. Pursuant to the SBNP Agreement, the unpaid Shook settlement shares, which are approximately \$23.8 million, are to be paid from the Trust and are purported to be fully secured by Shook’s assignment of insurance rights to the Trust, including the Hartford Proceeds.

The Security Agreement and Assignment. As part of the inducements provided by Shook to obtain the Preferred Creditors' support for the Plan, Shook executed a Security Agreement and Assignment, dated December 7, 2001 (the "Security Agreement"), pursuant to which Shook granted a security interest in all of its insurance-related rights to a newly-formed trust named the Shook Payment Trust (the "Trust"). These insurance-related rights include, *inter alia*, the proceeds of the Hartford Agreement (approximately \$105 million) and other insurance proceeds available under settlements between Shook and the Non-Signatory Insurers (approximately \$28.7 million) (collectively, the "Insurance Settlement Proceeds").

The Trust exists largely for the benefit of the Preferred Creditors, Mr. Rice, certain other asbestos plaintiff lawyers and "Shook Professionals" who, pursuant to the Trust Agreement, will collectively be paid virtually all of the Insurance Settlement Proceeds. Moreover, pursuant to the express terms of the Trust and Security Agreement, neither the Insurance Settlement Proceeds nor any other insurance rights that have been pledged as collateral to the Trust will be available to pay any other asbestos creditors of Shook unless and until the "secured claims" of the Preferred Creditors are satisfied.

Mindful that the Pre-Bankruptcy Transactions were likely avoidable preferences under Section 547 of the Bankruptcy Code, Shook and the Preferred Creditors agreed that Shook's actual bankruptcy filing would be delayed in an attempt to circumvent the 90-day preference period prescribed by Section 547 of the Bankruptcy Code. A "Term Sheet for Shook Pre-Packaged Plan of Reorganization," which was annexed as an exhibit to several of the Pre-Bankruptcy Transactions, set forth the "more important terms and conditions of a pre-packaged plan of reorganization . . . with respect to Shook & Fletcher Insulation Co." Tellingly, one of the "important terms and conditions" spelled out in the Term Sheet was that, assuming the plan

received the requisite acceptance from the parties whose representatives had negotiated the various Pre-Bankruptcy Transactions, the petition for reorganization would not be filed until the 90-day preference period had run with respect to the Pre-Bankruptcy Transactions. This “important term and condition” evidences an actual intent on the part of Shook to hinder, delay or defraud Shook’s unsecured creditors, including Travelers.²

Each of the Pre-Bankruptcy Transactions expressly recited that “Shook anticipates that it will commence a reorganization case under chapter 11 of the U.S. Bankruptcy Code in the next few months.” Nevertheless, knowing that it was insolvent, Shook entered into the Pre-Bankruptcy Transactions for which it does not appear that Shook received adequate consideration.

Thus, it is plainly apparent that Shook’s “prepackaged” bankruptcy plan is designed, *inter alia*, to: (i) enable the Killions to retain ownership and control of substantially all of Shook’s fraudulently transferred and remaining non-asbestos assets while leaving behind all of Shook’s asbestos liabilities; (ii) reduce and restrict the assets against which Travelers can enforce its more than \$2 million claim against Shook; and (iii) insulate Shook and the Killions from liability for the fraudulent transfers that have occurred in the last several years.

3. Funding the Scheme

In order to fund the implementation of its scheme, on December 17, 2001, Shook entered into a Supply Line of Credit Agreement with Shook Supply, its former subsidiary that was fraudulently conveyed to the Killions as a result of the 1999 Stock Distribution. According to the Disclosure Statement, the purpose of this transaction was, among other things, to provide

² Moreover, in an effort to circumvent the requirement of Section 524(g) of the Bankruptcy Code that a plan seeking treatment thereunder provide similar treatment for similarly situated present asbestos claimants and holders of future (asbestos) demands, the parties used the Pre-Bankruptcy Transactions to “secure” the Preferred Creditors and thus attempt to justify their preferential treatment.

Shook with funds to pay for the solicitation and other activities required to seek approval of the Plan.

Pursuant to the Supply Line of Credit Agreement, Shook granted a security interest in virtually all of its non-insurance assets to Shook Supply, which is owned and controlled by the Killions. Specifically, Shook granted Shook Supply a security interest in: (i) all of Shook's accounts, inventory and general intangibles (other than insurance collateral pledged to the Trust); (ii) certain vehicles of Shook; and (iii) Shook's real property in Alabama. Shook Supply's security interest is subordinated to various other security interests in the subject property. Accordingly, substantially all of Shook's assets have been encumbered and rendered unavailable to satisfy either Travelers' claim or the claims of Shook's other unsecured creditors.

The proceeds of the Shook Supply Line of Credit Agreement do not benefit Shook's creditors in any way but, instead, are dedicated to the payment of professional fees and other expenses that Shook has incurred or will incur in connection with its efforts to implement the Plan – a Plan effectively designed to defraud creditors (other than the Killions' Preferred Creditors). These professional fees and expenses include approximately \$500,000 to Shook's bankruptcy counsel, approximately \$250,000 in "Solicitation Expenses" and a \$100,000 payment to Hasbrouck Haynes, Jr., the Trustee of the Shook Payment Trust.

4. Shook's Disclosure Statement Acknowledges the Fraudulent Transfers

On or about February 18, 2002, Shook distributed a Disclosure Statement and proposed Plan of Reorganization, which reveals some of the aspects of the scheme devised by Shook and the Preferred Creditors. One of the stated purposes of the Plan is to create a "reorganized" Shook which will be owned by the Killions and which will have no asbestos liabilities. Another component of the Plan purports to settle the liabilities of Shook and the

Killions for otherwise *avoidable transfers* of Shook assets that have taken place during the last several years. These avoidable transactions include the 1999 Stock Distribution and the Cash Distributions through which the Killions stripped Shook of valuable assets. The foregoing conveyances, each made at a time when Shook was clearly insolvent, seriously impaired Shook's ability to satisfy Travelers claim and the claims of other unsecured creditors.

Indeed, acknowledging that the Killions' pre-petition conduct would be recognized for the fraudulent scheme that it is, Section 4.7(a)(1) of the Disclosure Statement states that 30 days after the confirmation of the Plan

Reorganized Shook & Fletcher and Shook & Fletcher Supply shall jointly and severally issue a promissory note to the Trust, having an original principal amount of \$3,000,000, which represents a ***comprehensive settlement*** and includes (together with the \$300,000 up front cash payment to be made) consideration for (i) the full equity value of Shook & Fletcher as of the Confirmation Date and (ii) the estimated recovery value (taking into account all applicable defenses) of all alleged ***voidable transfers made to an insider or with affiliates of Shook & Fletcher . . . within the last six years.***

The fact that the Killions, the persons who fraudulently conveyed Shook's assets to themselves, purport to settle those claims, which now belong to the bankruptcy estate, amply demonstrates the collusive nature of the "pre-packaged" Plan, and requires an independent investigation into the circumstances surrounding those fraudulent transfers.

C. The Wellington Non-Products ADR Proceeding

Over the last two decades, Travelers has expended more than \$10,000,000 in defense and indemnity costs in connection with Shook's asbestos liabilities, exhausting the limits of the "products liability" and "completed operations" coverages (commonly referred to as "products coverage") under the policies issued by Travelers to Shook. In or about April 1999, in recognition that its products coverage was exhausted, Shook decided to recharacterize its asbestos liabilities as "non-products" claims, not subject to the products coverage limits of the policies. In

response to Shook's revisionist claims, Travelers sought from Shook proof of the existence of any alleged non-products asbestos claims.

As referenced in Shook's Disclosure Statement, in December 1999, Shook initiated an ADR proceeding under the Wellington Agreement against its Signatory Insurers, including Travelers, seeking a determination of the obligations of Travelers, if any, for non-products asbestos claims (the "Non-Products ADR"). Pursuant to the arbitration provisions of the Wellington Agreement, which are binding and enforceable under the FAA, the parties are obligated to resolve this dispute through mediation, and then if mediation is unsuccessful, through arbitration, in accordance with the Wellington Agreement arbitration provisions. The Non-Products ADR is in the arbitration phase and is still pending.³

All presently known asbestos claimants have settled (whether by virtue of the Claimant Agreement, the SBNP Agreement or the CCR Agreement) and, under the Plan, are treated by the proposed Plan as secured creditors entitled to the Insurance Settlement Proceeds. Pursuant to the Plan, future asbestos claimants are given an unsecured claim against whatever insurance assets remain, which according to Shook, include the policies issued by Travelers.⁴

Travelers vigorously disputes that it is obligated to Shook under its policies for non-products claims absent proof that any asbestos claimant was exposed to asbestos during

³ Pursuant to the terms of the Wellington Agreement, certain disputes currently pending in the Non-Products ADR, could become the subject of litigation, after completion of the arbitration.

⁴ The only Non-Signatory Insurer with whom Shook has not settled is Safety National Casualty Corporation ("Safety National"). As described in § 2.2(b)(4) of the Disclosure Statement, Shook has commenced an action in the Eastern District of Missouri seeking to vacate an adverse arbitration decision in connection with an ADR between Shook and Safety National concerning coverage for Shook's asbestos liabilities under policies issued by Safety National (the "Safety National Arbitration").

Shook's operations or in the amount and to the extent promoted by Shook. Although Shook states in its Disclosure Statement that it "believes that a substantial percentage" of asbestos claims against it arise in a "non-products" setting and are not subject to the products or completed operations coverage limits that have been exhausted, the Disclosure Statement is devoid of any support for such a belief. In addition, the Disclosure Statement does not even address: (1) significant limitations on Travelers non-products coverage in the insurance policies and in the Wellington Agreement; and (2) Shook's coverage-defeating breaches of its obligations to Travelers in connection with the pre-petition agreements. Even assuming, however, that Shook could establish in the Non-Products ADR that some percentage of the asbestos claims against it are properly deemed to arise under the non-products coverage of Travelers policies (a proposition for which Shook has provided absolutely no support), there will necessarily also be a significant percentage of asbestos claims that do not arise in a non-products setting, and fall within the products coverage of the Travelers policies, which have been exhausted, and for which there can be no recovery. In addition, there will be significant limitations on Travelers non-products coverage in the insurance policies and in light of Shook's breaches of its obligations to Travelers. The Disclosure Statement and Plan make no provision for the payment of those products-based asbestos claims which under the Plan will necessarily be left unsatisfied, as Shook's Plan contemplates that Shook and the Killions will be insulated from further asbestos liabilities.

Resolution of the Non-Products ADR between Travelers and Shook is necessary before any determination of the sufficiency of the funds in the Trust for future asbestos claims can be made. Indeed, it is difficult to understand how R. Scott Williams, Esq. (appointed and paid by Shook to represent future asbestos claimants against Shook) could endorse the Plan as being in the best interest of future asbestos claimants absent even a determination as to the scope and

extent, if any, of coverage that remains in the Travelers policies, which even Shook admits have been exhausted and which would go uncompensated under the proposed Plan.

RELIEF REQUESTED

Travelers respectfully requests that the Court deny Shook's Motion and the schedule proposed therein, which fails to provide sufficient time for Travelers and other parties in interest to conduct discovery and to permit a proper evaluation of the adequacy of the proposed Disclosure Statement or the viability of Shook's fraudulently conceived Plan. Given the significant issues that are raised in this Response, Travelers requests that the Court adopt a schedule for this case consistent with the Proposed Schedule annexed hereto. As the Court will note, Travelers does not believe, given the Debtor's questionable pre-petition conduct as detailed above and Travelers' concerns over the manner, extent and validity of the pre-bankruptcy solicitation, that it would be proper to schedule a hearing on the adequacy of the Disclosure Statement simultaneously with confirmation.

GROUND FOR RELIEF

As the facts described herein demonstrate, there are serious questions concerning the good faith basis upon which Shook and the Killions offer the Disclosure Statement and Plan of Reorganization to the Court for approval. Notwithstanding Shook's assertions concerning the prior "negotiation of consensual agreements with critical creditor constituencies" and the "overwhelming" approval of the proposed Plan by asbestos claimants whose votes were purchased with secured claims at the expense of future asbestos claimants and other unsecured creditors, like Travelers, Travelers submits that there are numerous issues that need to be explored before any plan of reorganization can be evaluated.

Specifically, Travelers is entitled to discover information concerning, *inter alia*:

- the circumstances surrounding the conveyance of virtually all of Shook's non-insurance assets to the Killions, including, but not limited to, Shook & Fletcher Supply, an undisclosed amount of cash, and a security interest in all of Shook's remaining non-insurance assets granted to an entity owned by the Killions, and the value of all of those distributions;
- how Shook evaluated the asbestos claims against it, including, but not limited to, any analysis of the number of past and present asbestos claims, how those claims were valued, whether those claims arise under the products or completed operations coverage of any insurance policies, and whether any claims can be shown to arise under any alleged non-products coverage;
- how the proposed Futures' Representative determined that the proposed Plan was in the best interests of future claimants, including, but not limited to, how the Futures Representative estimated the number of future asbestos claims and how those claims were valued, and how those claims are to be paid if a significant portion of those claims will not be covered under the insurance policies that have been assigned to the pre-petition trust to pay for such claims;
- how the decision to give certain Preferred Creditors a security interest in all of the Insurance Settlement Proceeds (including the claims of all presently known asbestos claimants, \$3,000,000 for the attorneys representing presently known asbestos claimants, \$1,000,000 for the attorneys advising Shook on insurance coverage issues, and \$500,000 for other "professionals" that participated in concocting the fraudulent pre-packaged bankruptcy plan) while leaving future asbestos claimants with nothing more than a litigation "wish certificate" against insurers and insurance policies when the scope and extent of coverage under those policies are the subject of vigorous dispute;
- how future products-based asbestos claims will be paid given the exhaustion of Shook's products coverage;
- how Shook intends to pay the more than \$2 million claim of Travelers, which Shook has conveniently left off its List of Creditors Holding 20 Largest Unsecured Claims when no provision is made therefore and the Debtor's projections show its free cash flow being used to make payment to the Trust.

Because none of this information was provided in Shook's Disclosure Statement, but would be material to an impaired creditor in determining whether to accept or reject the Plan and, of course, critically necessary to the proper evaluation of the confirmability of the Plan, the suggestion in Shook's Motion that a combined Disclosure Statement and Confirmation Hearing should be

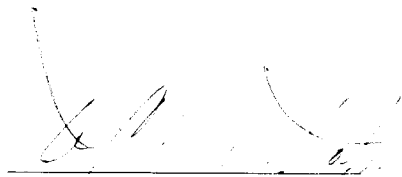
scheduled “promptly” is itself evidence that the Debtor lacks the requisite good faith and the Plan has been proposed as part of an improper scheme.

The proposed schedule contained on Schedule 1 hereto is predicated on the cooperation of Shook and the third-party witnesses. Should that cooperation not be forthcoming, Travelers estimate of the time required will need to be revised.

WHEREFORE, Travelers respectfully requests that Shook’s Motion be denied and that the Court enter an order (i) setting forth the schedule proposed herein that will allow Travelers sufficient time to conduct discovery and, thereafter, to submit objections to Shook’s fraudulently conceived Disclosure Statement and Plan of Reorganization, and (ii) granting such other and further relief as is just and equitable.

Respectfully submitted,

Dated: April 5, 2002



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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing pleading upon the following people by facsimile transmission to the number indicated on the 15th day of April, 2002, and by placing it in the US mail with first-class postage prepaid or by hand delivery on the 16th day of April, 2002.

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OF COUNSEL

EXHIBIT “A”

FILED
02 MAR 27 PM 4:22
U.S. DISTRICT COURT
N.D. OF ALABAMA

Defendants.

$$\begin{array}{c}) \\) \\) \\) \\) \\) \\) \\) \\) \end{array}$$

2. Shook, which is 100% owned by Wayne W. Killion and his son, Dr. Wayne Killion, Jr., is on the brink of bankruptcy. Over the course of the last few years, Shook, under the direction and control of the Killions, has engaged in a series of fraudulent conveyances that have been designed to enrich the Killions at the expense of Shook's creditors, including Travelers.

3. These conveyances include an August 1999 transaction involving a former Shook subsidiary, Shook & Fletcher Supply Co. of Alabama, Inc. ("Shook Supply"). Through this transaction (the "1999 Stock Distribution"), Shook made a gratuitous transfer of Shook Supply's stock to the Killions and received inadequate consideration in return. The purpose and effect of this gratuitous transfer was to place one of Shook's most valuable assets beyond the reach of Travelers and Shook's other creditors.
4. Within the last six years, the Killions have also caused Shook to make various distributions of cash to them, all without fair consideration (the "Cash Distributions").
5. In the past four months, and in contemplation of an imminent bankruptcy filing, Shook has also entered into a complex web of less-than-arms-length transactions with a preferred group of creditors (the "Preferred Creditors"), including certain "present" asbestos claimants represented by Joseph F. Rice, Esq. The Pre-Bankruptcy Transactions which Shook has negotiated with the Preferred Creditors unfairly benefit those creditors at the expense of Travelers and Shook's other unsecured creditors.
6. Shook has conferred this preferential treatment in order to induce the Preferred Creditors to support and implement a "pre-packaged" bankruptcy plan (the "Plan") that is designed, *inter alia*, to: (i) enable the Killions to retain ownership and control of substantially all of Shook's remaining assets while leaving behind all of Shook's asbestos liabilities; (ii) reduce and restrict the assets against which Travelers can enforce its approximately \$2 million claim against Shook; and (iii) insulate Shook and the Killions from liability for the fraudulent transfers that have occurred in the last several years.

7. As part of the inducements provided by Shook to obtain the Preferred Creditors' support for the Plan, Shook executed a Security Agreement and Assignment, dated December 7, 2001 (the "Security Agreement"), pursuant to which Shook granted a security interest in all of its insurance-related rights to a newly-formed trust named the Shook Payment Trust (the "Trust"). These insurance-related rights include, *inter alia*, the proceeds of insurance settlements between Shook and Hartford Financial Services Group, Inc., which total approximately \$105 million and other insurance proceeds available under settlements between Shook and certain other insurers, which currently total approximately \$28.7 million (collectively, the "Insurance Settlement Proceeds").

8. As described more fully below, the Trust exists largely for the benefit of the Preferred Creditors, Mr. Rice, certain other asbestos plaintiff lawyers and "Shook Professionals" who, pursuant to the Trust Agreement, will collectively be paid virtually all of the Insurance Settlement Proceeds. Moreover, pursuant to the express terms of the Trust and Security Agreement, neither the Insurance Settlement Proceeds nor any other insurance rights that have been pledged as collateral to the Trust will be available to pay any other asbestos creditors of Shook unless and until the security interest of the Preferred Creditors are satisfied.

9. In order to fund its implementation of the Plan, on December 17, 2001, Shook entered into a Supply Line of Credit Agreement with its former subsidiary, Shook Supply (the "Supply Line of Credit Transfer"), pursuant to which Shook granted a security interest in virtually all of its assets to this Killion-controlled entity, thereby leaving Shook virtually no unencumbered assets to satisfy the Travelers claim.

10. The foregoing fraudulent transfers, each made at a time when Shook was clearly insolvent, seriously impaired Shook's ability to satisfy the Travelers claim and the claims of other unsecured creditors.

JURISDICTION AND VENUE

11. The Court has jurisdiction over this action pursuant to 28 U.S.C. § 1332.

12. Venue lies in this District pursuant to 28 U.S.C. § 1391(a)(1) and (2).

PARTIES

13. Travelers is a Connecticut corporation with its principal place of business in Connecticut.

14. Defendant Wayne W. Killion, Senior is an Alabama resident and the Chairman and only member of Shook's "Board" of Directors. He and his son, Defendant, Dr. Wayne W. Killion, Jr., collectively own 100% of the outstanding shares of Shook's common stock.

15. Defendant Dr. Wayne W. Killion, Jr. is an Alabama resident and the Chief Executive Officer and President of Shook.

16. Defendant Hasbrouck Haynes, Jr. ("Trustee") is an Alabama resident and serves as the Trustee of the Shook Payment Trust, the recipient of the Transfer complained of herein. The claims against the Trustee are made against him in his capacity as Trustee of the Trust.

17. Shook Supply is a Delaware corporation with its principal place of business in Alabama. Shook Supply is wholly owned by the Killions.

THE FACTS

Travelers Is A Creditor Of Shook

18. On June 19, 1985, a number of asbestos producers, including Shook, and certain of their liability insurers, including Travelers and a number of other asbestos “producers” and liability insurers, entered into an Agreement Concerning Asbestos-Related Claims, which is often referred to as the Wellington Agreement. The Wellington Agreement concerns the manner in which asbestos-related bodily injury claims brought against the producers are to be handled under the policies issued by the insurer parties.

19. Travelers, First State Insurance Company, an affiliate of Hartford Financial Services Group, Inc. (“Hartford”), Certain Underwriters at Lloyd’s of London and London Market Insurance Companies (“London”) and Reliance Insurance Company (“Reliance”), all of which had issued liability policies to Shook, are parties to the Wellington Agreement (collectively, the “Signatory Insurers”). Certain other liability insurers of Shook, however, did not sign the Wellington Agreement (collectively, the “Non-Signatory Insurers”).

20. Pursuant to the Wellington Agreement, Shook is obligated to pursue reasonable best efforts to obtain a final and reasonable settlement or final judicial determination concerning the application of insurance policies issued by Non-Signatory Insurers to asbestos-related claims and, once received, to use the judgment or settlement proceeds to pay asbestos-related claims. The Wellington Agreement further provides that until a settlement or judgment is obtained with respect to the Non-Signatory Insurers, the Signatory Insurers, under certain circumstances, will pay amounts that would otherwise be owed by the Non-Signatory Insurers. If Shook does not obtain a judgment or

settlement from a Non-Signatory Insurer within two years after Travelers or another Signatory Insurer makes payments that should otherwise have been made by the Non-Signatory Insurer, Section XX of the Wellington Agreement provides that interest shall begin to accrue on such payments and that the interest will be paid by Shook to the Signatory Insurer.

21. In furtherance of its obligations under the Wellington Agreement, Travelers has made payments that entitle it to interest reimbursement. To date, however, Shook has refused to pay Travelers the interest owed under the Wellington Agreement.

22. On March 20, 2000, pursuant to the alternative dispute resolution provisions of the Wellington Agreement, Travelers initiated an alternative dispute resolution (“ADR”) proceeding against Shook, seeking payment of the interest owed by Shook (the “Interest ADR”). Travelers is also entitled to recover pre-judgment interest and attorneys' fees in connection with this claim in an amount to be determined. Pursuant to the arbitration provisions of the Wellington Agreement, which are binding and enforceable under the Federal Arbitration Act, 9 U.S.C. §§ 1-16 (“FAA”), the parties are obligated to resolve this dispute through mediation, and then if mediation is unsuccessful, through arbitration, in accordance with the Wellington Agreement arbitration provisions. The Interest ADR is still pending.

The 1999 Stock Distribution

23. In 1982, Shook created a new subsidiary, Shook & Fletcher Supply, Inc., for the purpose of purchasing the assets of a mining supply company.

24. From 1982 until approximately August 1999, Shook owned 100% of the common stock of Shook Supply. In August 1999, at a time when Shook faced mounting

asbestos liabilities, Shook distributed all of the outstanding shares of capital stock of Shook Supply to its two stockholders, the Killions.

25. As a result of the 1999 Stock Distribution, the Killions received all of the equity of Shook Supply and provided no fair consideration in return to Shook.

26. According to projections provided by Shook and Shook Supply in the Disclosure Statement circulated in connection with the Plan, Shook Supply is expected to generate twice as much in earnings over the next two years as is Shook itself.

The Cash Distributions

27. At various points within the last six years, Wayne Killion, Sr., who not only controls but in fact constitutes the entire “Board” of Directors of Shook, and his son, Dr. Wayne Killion, Jr., who is the Chief Executive Officer of Shook, have caused Shook to distribute to them significant amounts of cash.

28. Shook did not receive adequate consideration for the Cash Distributions, which were made at a time when Shook was insolvent.

The Products/Non-Products Dispute

29. The policies which Travelers issued to Shook and which are subject to the Wellington Agreement (the “Travelers Policies”) contain aggregate limits that represent the maximum amount of liability coverage under each policy that Travelers could potentially be obligated to provide with respect to claims falling under “products” and “completed operations” hazards. Pursuant to the Wellington Agreement, these aggregate limits remained effective and continued to impose a maximum cap on Travelers potential exposure for applicable claims.

30. From the inception of the Wellington Agreement in 1985, all of the asbestos-related claims against Shook that were processed thereunder were treated as claims falling under the “products” line of coverage. Nonetheless, in 1999, as the payments by Travelers were about to reach the point where the products aggregate limits under the Travelers Policies would be exhausted, Shook began to take the position that some unspecified portion of the asbestos-related claims that had been or would be asserted against it were “non-products” claims that are not subject to an aggregate limit under the language of the Travelers Policies.

31. In particular, the position which Shook developed in 1999 was that certain of the asbestos claims against Shook arose out of the claimant’s exposure to asbestos as a result of Shook’s installation activities, as opposed to exposure to an asbestos-containing product that was distributed but not installed by Shook.

32. In December 1999, Shook initiated an ADR proceeding addressed to this issue under the Wellington Agreement against Travelers, Hartford, London and Reliance (the “Coverage ADR”). Pursuant to the arbitration provisions of the Wellington Agreement, which are binding and enforceable under the FAA, the parties are obligated to resolve this dispute through mediation and, if mediation is unsuccessful, through arbitration, in accordance with the ADR provisions of the Wellington Agreement. The Coverage ADR is still pending.

The Pre-Bankruptcy Transactions

33. In December 2001, Shook entered into a series of inter-related agreements designed to set the stage for an imminent bankruptcy filing (the “Pre-Bankruptcy Transactions”), through which, together with the 1999 Stock Distribution and the Cash

Distributions, the Killions hope to emerge with substantially all of Shook's current and former assets and none of Shook's asbestos liabilities. The Pre-Bankruptcy Transactions were entered into between Shook and, *inter alia* (i) various asbestos claimants represented by Joseph F. Rice (the "Claimant Agreement"); (ii) Hartford (the "Hartford Agreement"), (iii) the Center for Claims Resolution (the "CCR Agreement"); and (iv) certain asbestos claimants holding "settled but not paid" claims (the "SBNP Agreement"). Each of the Pre-Bankruptcy Transactions is more thoroughly discussed in paragraphs 38 through 54 of this Complaint.

34. Each of the Pre-Bankruptcy Transactions expressly recited that "Shook anticipates that it will commence a reorganization case under chapter 11 of the U.S. Bankruptcy Code in the next few months." Nevertheless, knowing that it was insolvent, Shook entered into the Pre-Bankruptcy Transactions.

35. Shook did not receive adequate consideration for the Pre-Bankruptcy Transactions, which were made at a time when Shook was insolvent.

36. Mindful that the Pre-Bankruptcy Transactions could be deemed to be avoidable preferences under section 547 of the Bankruptcy Code, Shook and the Preferred Creditors agreed that Shook's actual bankruptcy filing would be delayed in an attempt to circumvent the 90-day preference period prescribed by section 547 of the Bankruptcy Code.

37. A "Term Sheet for Shook Pre-Packaged Plan of Reorganization," which was annexed as an exhibit to several of the Pre-Bankruptcy Transactions, set forth the "more important terms and conditions of a pre-packaged plan of reorganization . . . with respect to Shook & Fletcher Insulation Co." Tellingly, one of the "important terms and

conditions” spelled out in the Term Sheet was that, assuming the plan received the requisite acceptance from the parties whose representatives had negotiated the various Pre-Bankruptcy Transactions, the petition for reorganization would not be filed until the 90-day preference period had run with respect to the Pre-Bankruptcy Transactions. This “important term and condition” evidences an actual intent on the part of Shook to hinder, delay or defraud Shook’s unsecured creditors, including Travelers.

The Hartford Agreement

38. The Hartford Agreement provides that Hartford will pay a total of \$105,750,000 in connection with asbestos-related claims against Shook. The Hartford Agreement reflects that in September 2001, Hartford entered into an interim funding arrangement with Shook, by which it agreed to pay (i) certain defense costs associated with asbestos-related claims; and (ii) \$1 million to the CCR on behalf of Shook, which payments were to be credited against the total settlement amount.

39. Under the Hartford Agreement, settlement payments by Hartford are to be made in the first instance directly to Joseph F. Rice, Esq., of the firm of Ness, Motley, Loadholt Richardson & Poole, located in Mount Pleasant, South Carolina, as counsel for the claimants who are subject to the Claimant Agreement (the “Rice Claimants”), and then to the Trust, for the benefit, *inter alia*, of the Rice Claimants, the CCR and certain “settled but not paid” claimants, described more fully below.

The Claimant Agreement

40. The Claimant Agreement provides for the payment of claims held by “present” asbestos claimants who are represented by Joseph Rice, a substantial portion of which claims are contingent, not having been liquidated by settlement or judgment. The

Claimant Agreement further provides that on the date of execution thereof, Shook would grant to the Trustee of the Trust a security interest in all of Shook's insurance rights, including, but not limited to, the right to have monies expended by Hartford to satisfy claims against Shook pursuant to the Hartford Agreement.

41. Pursuant to the Claimant Agreement, the security interest granted thereunder secured a portion of the aggregate Settlement Amounts to be paid to the Rice Claimants equal to the lesser of (a) the sum of \$63.6 million or (b) seventy-five percent (75%) of the aggregate of all Settlement Amounts (the "Secured Claim Amount"). Any amounts that remained unsatisfied above and beyond the Secured Claim Amount would be treated as unsecured.

The CCR Agreement

42. The Center for Claims Resolution, with whom Shook entered into the CCR Agreement, is a claims-handling entity formed by Shook and a number of other asbestos defendants in 1988. The CCR was responsible for defending, settling and otherwise handling asbestos-related claims bodily injury claims on behalf of Shook and the other CCR member companies. Typically, the CCR would enter into settlements as agent for its member companies, including Shook. Each member would be obligated to pay a certain portion of each settlement in accordance with an agreed-upon formula.

43. The CCR Agreement, which Shook entered into in December 2001, concerned settlement amounts and associated expenses that the CCR or its members purportedly advanced on behalf of Shook, for which Shook did not reimburse the CCR or its members. According to the CCR Agreement, these unreimbursed payments totaled

approximately \$37,681,171, which also represents the Settlement Amount under the Agreement.

44. Pursuant to the CCR Agreement, the Settlement Amount is to be paid exclusively from the insurance proceeds in the Trust, in accordance with the Trust Agreement, and such payment is to be secured by Shook's assignment of insurance rights to the Trust, including the Hartford Proceeds.

The SBNP Agreement

45. The SBNP Agreement concerns various asbestos claimants who have entered settlements with Shook, through the CCR, but who have not received the amount Shook was obligated to pay under the settlement. Pursuant to the SBNP Agreement, the unpaid Shook settlement shares, which are approximately \$23.8 million, are to be paid from the Trust and are fully secured by Shook's assignment of insurance rights to the Trust, including the Hartford Proceeds.

The Trust Agreement and the Security Agreement

46. In furtherance of the terms of these various Pre-Bankruptcy Transactions, Shook entered into the Trust Agreement, dated December 7, 2001, and signed by Wayne W. Killion, Jr., on behalf of Shook, and Hasbrouck Haynes, Jr., as trustee of the Trust. The Trust Agreement was amended, effective February 12, 2002, to reflect, *inter alia*, the amendment of the SBNP Agreement.

47. Also on December 7, 2001, Shook executed the Security Agreement, pledging all of its rights to insurance, including amounts due under the Hartford and Non-Signatory Insurer Settlements, as security for the payments to be made by the Trust. (The

December 7, 2001 Trust and Security Agreements are hereinafter referred to collectively as the "Trust Transfer").

48. The Trust Transfer identifies those who will qualify for payments thereunder, namely:

- (i) the Rice Claimants;
- (ii) the SBNP Claimants;
- (iii) the CCR Payees, as defined under the CCR Agreement;
- (iv) Joseph F. Rice, Esq., who, according to the Trust Agreement, is entitled to a fee of \$3 million for "his role in negotiating and implementing the Settlement Agreements;"
- (v) Gilbert Heintz & Randolph, LLP; insurance coverage counsel for Shook, and MFR Consulting Services, a claims-handling entity used to process claims submitted under the settlement agreements, who are collectively defined in the Trust Agreement as "Shook Professionals" and who are allowed "a fee of \$1 million in excess of the amounts previously paid by Shook to such professional" upon the execution of the Trust Agreement;
- (vi) a "claims-handling entity" to be chosen by Shook "after consultation with" Joseph Rice, as Claimant's Counsel, to be paid \$8 per each claim processed under the Claimant Agreement; and
- (vii) Hartford, to the extent it is entitled to return of income under the Hartford Agreement.

49. The Trust Transfer further provides that after payment of all of the secured claims of the above-listed Qualified Claimants and "the payment of all costs, fees, and other expenses of the Trust, the Trustee shall pay *any* remaining assets to" a trust (the "Second Trust") to be established under Shook's contemplated pre-packaged plan of reorganization.

50. Under the terms of the Trust Transfer and the other Pre-Bankruptcy Transactions which Shook orchestrated, substantially all of the proceeds of the Hartford

Settlement and the Non-Signatory Insurer Settlements will be paid to satisfy Qualified Claims under the Trust or “costs, fees or expenses” incurred in connection with the Trust.

51. Thus, after the payments of the secured claims and Trust expenses, Shook will have essentially no remaining assets to fund the Second Trust or otherwise pay Shook's remaining creditors, including Travelers.

52. Accordingly, the numerous unsecured asbestos creditors who are not beneficiaries of the Trust are left only with a portion of Shook's disputed claims for insurance against Travelers and the other insurers with whom Shook has not settled.

53. Such claims are essentially worthless as respect to Travelers because, *inter alia*, the aggregate limits for products claims in the Travelers policies have been exhausted.

54. Shook did not receive adequate consideration for the Trust Transfer, which was made at a time when Shook was insolvent.

Shook's Pre-Packaged Bankruptcy Plan

55. On or about February 18, 2002, Shook distributed a Disclosure Statement and Proposed Plan of Reorganization, which describes some of the aspects of the Plan devised by Shook and the Preferred Creditors. One of the stated purposes of the Plan is to create a “reorganized” Shook which will be owned by the Killions and which will have no asbestos liabilities.

56. Another component of the Plan purports to compromise the liabilities of Shook and the Killions for otherwise avoidable transfers of Shook assets that have taken place during the last several years. These avoidable transactions include the 1999 Stock

Distribution and the Cash Distributions through which the Killions stripped Shook of valuable assets.

Shook Mortgages Itself to the Hilt So it Can Implement the Plan

57. In order to fund its implementation of the Plan, on December 17, 2001, Shook entered into a Supply Line of Credit Agreement with its former subsidiary, Shook Supply. According to the Disclosure Statement, the purpose of this transaction was, among other things, to provide Shook with funds to pay for the solicitation and other activities required to seek approval of the Plan.

58. Pursuant to the Supply Line of Credit Agreement, Shook granted a security interest in virtually all of its assets to Shook Supply, which is wholly owned by the Killions. Specifically, Shook granted Shook Supply a security interest in: (i) all of Shook's accounts, inventory and general intangibles (other than insurance collateral pledged to the Trust); (ii) certain vehicles of Shook; and (iii) Shook's real property in Alabama. Shook Supply's security interest is subordinated to various other security interests in the subject property. Accordingly, substantially all of Shook's assets have been encumbered and rendered unavailable to satisfy either Travelers claim or the claims of Shook's other unsecured creditors.

59. The proceeds of the Supply Line of Credit do not benefit Shook's creditors in any way but, instead, are dedicated to the payment of professional fees and other expenses that Shook has or will incur in connection with its efforts to implement the Plan.

60. These professional fees and expenses include approximately \$500,000 to Shook's bankruptcy counsel, approximately \$250,000 in "Solicitation Expenses" and a \$100,000 payment to Hasbrouck Haynes, Jr., the Trustee of the Shook Payment Trust.

The Fraudulent Transfers Have Left Shook With Inadequate Resources to Pay Travelers and Shook's Other Unsecured Creditors

61. The 1999 Stock Distribution, the Cash Distributions and the Supply Line of Credit Transfer have stripped Shook of valuable assets and impaired the few remaining assets Shook has remaining, such that Shook is unable to pay the claims of Travelers or Shook's other unsecured creditors. This inability has been further exacerbated by the Trust Transfer and the other Pre-Bankruptcy Transactions, which the Killions engineered in order to accomplish their primary goal of walking away with the assets of Shook without the burden of its asbestos liabilities or its obligations to Travelers.

62. In order to obtain confirmation of the Plan, Shook needs to demonstrate, *inter alia*, that the Plan treats all similar present and future claims in substantially the same manner. The Plan on its face, however, treats the Preferred Creditors far more favorably than the Unsecured Asbestos Creditors. Thus, confirmation of the Plan is unlikely.

63. Absent confirmation of the Plan, Shook will still be subject to numerous claims from Unsecured Asbestos Creditors, and, as a result, *inter alia*, of the Trust Transfer and the other Pre-Bankruptcy Transactions, as well as the 1999 Stock Distribution, the Cash Distributions and the Supply Line of Credit Transfer, will not have adequate assets to pay such claims.

64. According to its own financial statements, Shook lost money in 2001 and is projected to lose money in 2002. Moreover, Shook is projecting annual earnings of less than \$1 million through the end of 2005. These earnings are patently insufficient to pay the Travelers claim and the claims of the Unsecured Asbestos Creditors.

65. Even in the unlikely event that the Plan were to be confirmed, Shook's assets – stripped by the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer and the Pre-Bankruptcy Transactions – will be insufficient for Shook to meet its obligations to Travelers.

66. Shook did not get reasonably equivalent value for the 1999 Stock Distribution, the Cash Distributions, the Trust Agreement or the other Pre-Bankruptcy Transactions.

COUNT I
(Fraudulent Conveyance – Intentional Fraud)

67. Plaintiff repeats and realleges all of the allegations of paragraphs 1 through 66 as if fully set forth herein.

68. The 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions were made with actual intent to hinder, delay or defraud present and future creditors of Shook, including Travelers.

69. Pursuant to Alabama Code Section 8-9A-4, the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions are fraudulent as to both present and future creditors of Shook.

WHEREFORE, PREMISES CONSIDERED, Travelers respectfully requests this Court to enter an order avoiding each of the transfers addressed in the immediately preceding sentence to the extent of the Travelers claim and grant such further and additional relief available to Travelers under Alabama Code § 8-9A-7 or such other relief that this Court deems appropriate.

COUNT II

(Fraudulent Conveyance – Constructive Fraud)

70. Plaintiff repeats and realleges all of the allegations of paragraphs 1 through 69 as if fully set forth herein.

71. Shook did not receive reasonably equivalent value for the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions.

72. Shook was insolvent at the time of the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions or rendered insolvent thereby.

73. Accordingly, the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions are fraudulent as to both present and future creditors of Shook, including Travelers.

WHEREFORE, PREMISES CONSIDERED, Travelers respectfully requests this Court to enter an order avoiding each of the transfers addressed in the immediately preceding sentence to the extent of the Travelers claim and grant such further and additional relief available to Travelers under Alabama Code § 8-9A-7 or such other relief that this Court deems appropriate.

COUNT III

(Fraudulent Conveyance – Constructive Fraud)

74. Plaintiff repeats and realleges all of the allegations of paragraphs 1 through 73 as if fully set forth herein.

75. Shook did not receive reasonably equivalent value for the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions.

76. At the time the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions were made, Shook was engaged in a business for which the remaining assets of Shook following those transactions were unreasonably small in relation to that business.

77. Accordingly, the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions are fraudulent as to both present and future creditors of Shook, including Travelers.

WHEREFORE, PREMISES CONSIDERED, Travelers respectfully requests this Court to enter an order avoiding each of the transfers addressed in the immediately preceding sentence to the extent of the Travelers claim and grant such further and additional relief available to Travelers under Alabama Code § 8-9A-7 or such other relief that this Court deems appropriate.

COUNT IV
(Fraudulent Conveyance -- Constructive Fraud)

78. Plaintiff repeats and realleges all of the allegations of paragraphs 1 through 77 as if fully set forth herein.

79. Shook did not receive reasonably equivalent value for the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions.

80. At the time of the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions, Shook intended to incur or believed or should have reasonably believed that it would incur debts beyond its ability to pay as they became due.

81. The 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions are fraudulent as to both present and future creditors of Shook, including Travelers.

WHEREFORE, PREMISES CONSIDERED, Travelers respectfully requests this Court to enter an order avoiding each of the transfers addressed in the immediately preceding sentence to the extent of the Travelers claim and grant such further and additional relief available to Travelers under Alabama Code § 8-9A-7 or such other relief that this Court deems appropriate.

COUNT V
(Appointment of Receiver and Accounting)

82. Plaintiff repeats and realleges all of the allegations of paragraphs 1 through 81 as if fully set forth herein.

83. The 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions are fraudulent as to both present and future creditors of Shook.

WHEREFORE, PREMISES CONSIDERED, Travelers respectfully requests that, pursuant to Alabama Code § 8-9A-7(a)(3)(b), the Court appoint a receiver to take charge of the assets fraudulently transferred in connection with the 1999 Stock Distribution, the Cash Distributions, the Supply Line of Credit Transfer, the Trust Transfer and the other Pre-Bankruptcy Transactions, and to conduct, or otherwise order, an accounting thereof.

Travelers further requests that this Court grant such additional relief as it deems appropriate.

DATED the 27th day of March 2002,



W. Clark Watson (WAT-005)
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Attorneys for
Travelers Casualty and Surety Company

PLAINTIFF'S ADDRESS:

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Farmington, CT 06032

**SERVE DEFENDANTS BY CERTIFIED MAIL
RETURN RECEIPT REQUESTED (RESTRICTED DELIVERY)
AT THE FOLLOWING ADDRESSES:**

Wayne W. Killion
401 Carnoustie Dr. N.
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Dr. Wayne W. Killion, Jr.
3321 Dell Road
Birmingham, AL 35223

Hasbrouck Haynes, Jr.
1405 Cresthill Road
Birmingham, AL 35213

Shook & Fletcher Supply Co. of Alabama
c/o Wayne Killion, Registered Agent
Suite 212, Building 9 Office Park Circle
Birmingham, AL 35253

EXHIBIT “B”

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

-----	x	Chapter 11
In re:	:	
	:	Case No. 02-02771-BGC-11
SHOOK & FLETCHER INSULATION CO.,	:	
	:	
Debtor.	:	
-----	x	

**ORDER SCHEDULING HEARING ON
APPROVAL OF THE DISCLOSURE STATEMENT**

Upon consideration of the Response of Travelers Casualty and Surety Company (“Travelers”) to the Debtor’s Motion For An Order (i) Scheduling A Combined Hearing On Approval Of The Disclosure Statement And Solicitation Procedures, And To Consider Confirmation Of The Prepackaged Plan Of Reorganization, (ii) Establishing Deadlines And Procedures For Filing Objections To The Adequacy Of The Disclosure Statement And Solicitation Procedures On Confirmation Of The Plan, And (iii) Approving Form And Manner Of Notice Of Confirmation Hearing (the "Motion"), it is hereby

ORDERED AND DECREED that the Motion is GRANTED as modified below:

1. Written discovery, to include (a) document requests and interrogatories to the Debtor, and (b) subpoenas for documents of third-party witnesses, is to be completed no later than forty-five (45) days after entry of this Order;
2. Fact witness depositions shall be completed within sixty (60) days after the completion of written discovery;
3. Objections to the Debtor’s proposed Disclosure Statement shall be filed within thirty (30) days after the close of fact witness depositions;

4. Hearing on (a) approval of the Disclosure Statement, and (b) the Debtor's Motion for an Order Appointing a Legal Representative for Purposes of Section 524(g) of the Bankruptcy Code shall be conducted on September ____, 2002, at __: __ a.m. in Courtroom No. 4, Robert S. Vance Federal Building, 1800 Fifth Avenue North, Birmingham, Alabama; and
5. A confirmation hearing, if necessary, and deadline for filing objections to the proposed Plan of Reorganization will be scheduled at such time as the Debtor obtains an order approving the proposed Disclosure Statement.

DONE the ____ day of _____, 2002.

UNITED STATES BANKRUPTCY JUDGE

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

In re:)	
)	
SHOOK & FLETCHER INSULATION CO.,)	CASE NO. 02-02771-BGC-11
)	
Debtor.)	

**TRAVELERS CASUALTY AND SURETY COMPANY'S
REQUEST FOR PRODUCTION OF DOCUMENTS
TO DEBTOR SHOOK & FLETCHER INSULATION COMPANY**

PLEASE TAKE NOTICE that, pursuant to the Federal Rules of Bankruptcy Procedure, Travelers Casualty and Surety Company f/k/a The Aetna Casualty and Surety Company (hereinafter "Travelers") requests the production of documents, in accordance with the Definitions and Instructions set forth below, at the offices of Balch & Bingham, 1901 Sixth Avenue North, Suite 2600, Birmingham, Alabama, 35203-2628, or in any other manner as to which the parties may agree.

DEFINITIONS

The following definitions apply to this Request for Production of Documents (the "Request"):

1. "Debtor," "Shook" or "You" means the Debtor, Shook & Fletcher Insulation Co., its predecessors, successors and assigns, and all other persons acting or purporting to act on behalf of Shook individually or collectively, including but not limited to any parent, subsidiary or affiliate of Shook or any director, officer, shareholder, employee, attorney, broker or agent of Debtor.

2. “Asbestos Claim” means any claim, demand or lawsuit, or any debt, obligation or liability, whether or not reduced to judgment, liquidated or unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, bonded, secured or unsecured, of Shook, its predecessors, successors, subsidiaries or affiliates, or their respective present or former officers, directors, or employees, including, but not limited to, any claim in the nature of or sounding in tort, contract, warranty, or any other theory of law, equity or admiralty, whenever and wherever arising by reason of, directly or indirectly, physical, emotional, bodily or other personal injury, sickness, disease, death or damages, including, but not limited to, any claim or demand for compensatory damages, loss of consortium, proximate, consequential, general, special or punitive damages, reimbursement, indemnity, warranty, contribution or subrogation, caused or allegedly caused, in whole or in part, directly or indirectly by asbestos or asbestos-containing products, including asbestos or asbestos containing products allegedly manufactured, distributed, sold, handled, installed, stored, or removed by the Debtor, or by services, actions, or operations, including services, actions or operations provided, completed or taken by the Debtor in connection with asbestos or asbestos-containing products, or caused or allegedly caused by asbestos or asbestos-containing products, services, actions or operations for which the Debtor may be otherwise liable under any applicable law.

3. “Asbestos Claimants” means any persons asserting an Asbestos Claim as defined herein.

4. “Wellington Agreement” means that agreement entitled “Agreement Concerning Asbestos-Related Claims” dated June 19, 1985, entered into between certain asbestos manufacturers, distributors and installers and certain of their insurers.

5. “Disclosure Statement” means the Pre-Petition Date Solicitation of Votes With Respect to the Prepackaged Plan of Reorganization of Shook & Fletcher Insulation Co., dated February 18, 2002, and executed by Wayne W. Killion, Jr.

6. “Concerning” means relating to, referring to, reflecting, describing, evidencing or constituting.

7. “Document” encompasses a meaning at least equal in scope to the usage of this term in Rule 34(a) of the Federal Rules of Civil Procedure and includes any kind of handwritten, typewritten, printed, recorded, computer produced or graphic material, however produced or reproduced, including without limitation, memoranda, letters, notes, brochures, drawings, graphs, charts, photographs, microfilms, microfiches, telegrams, newspaper advertisements or articles, diaries, questionnaires, commentaries, notebooks, minutes, calendars, analyses, projections, ledger sheets, accounts, spread sheets, bills, invoices, checks, drafts, money orders, wire transfers, journals, publications, contracts, records, videotape, audiotape, tape of any kind on which information may be recorded, transcripts of records and recordings, business plans, business reports, summaries and/or records and recordings, business records, summaries and/or records of telephone conversations, summaries and records of personal conversations, summaries and/or records of meetings and conferences relating to the subject matter to which these document requests refer and includes, without limitation, originals, copies (including non-identical copies) and drafts now in your possession or under your control. This term also includes information recorded by electronic or other means, including without limitation, e-mail and other computer-stored information, whether or not reduced to printed form.

8. “Person” or “Persons” means all natural persons, corporations, partnerships, limited partnerships, syndicates and all other legal business entities.

9. The “Killions” means Mr. Wayne W. Killion and/or Dr. Wayne Killion Jr.
10. “Shook Supply” means the former subsidiary of Shook as identified in § 4.8(b) of the Disclosure Statement.

INSTRUCTIONS AND RULES OF CONSTRUCTION

1. The following Rules of Construction apply to all discovery requests:
 - (a) the terms “any” and “all” shall be construed as “any and all”;
 - (b) the connections “and” and “or” shall be construed either disjunctively or conjunctively as necessary to bring within the scope of the discovery request all responses and documents that might otherwise be construed to be outside of its scope;
 - (c) the use of the singular form of any word includes the plural and vice versa;
 - (d) the past tense shall include the present and vice versa; and
 - (e) the terms “between” and “among” each shall be construed as “between” or “among” as necessary to bring within the scope of the discovery request all responses and documents that might otherwise be construed outside of its scope.
2. In producing documents and other materials, you are requested to furnish all documents or things in your possession, custody or control, regardless of whether such documents or materials are possessed directly by you or your directors, officers, agents, employees, representatives, managing agents, affiliates, investigators, consultants, advisors, accountants or by your attorneys or their agents, employees, representatives or investigators.
3. Documents are to be produced in full; redacted documents will not constitute compliance with this request. If any requested documents or thing cannot be produced in full, produce it to the extent possible, indicating which document, or portion of that document, is being withheld, and the reason that the document or portion thereof is being withheld.

4. Pursuant to Rule 34(b) of the Federal Rules of Civil Procedure, documents shall be produced as they are kept in the usual course of business or the documents shall be organized and labeled to correspond to the categories in this request.

5. All documents shall be produced in the file folder, envelope or other container in which the documents are kept or maintained. If for any reason the container cannot be produced, produce copies of all labels or other identifying marks.

6. Documents shall be produced in such fashion as to identify the department, branch or office in whose possession it was located and, where applicable, the natural person in whose possession it was found and the business address of each document's custodian(s).

7. Documents attached to each other should not be separated.

8. Documents not otherwise responsive to this discovery request shall be produced if such documents mention, discuss, refer to, or explain the documents which are called for by this discovery request, or if such documents are attached to documents called for by this discovery request and constitute routing slips, transmittal memoranda, or letters, comments, evaluation or similar materials.

9. If any documents requested herein have been lost, discarded, destroyed, or are otherwise no longer in your possession, custody or control, they shall be identified as completely as possible, including without limitation the following information:

- (a) type of document;
- (b) name of the author;
- (c) name of the person(s) who received the original and all copies;
- (d) date and subject matter;
- (e) date of disposal;

- (f) manner of disposal;
- (g) reason for disposal;
- (h) person authorizing the disposal;
- (i) person disposing of the document;
- (j) your efforts to locate each such document.

10. If you claim the attorney-client privilege, or any other privilege or work product protection for any document, that document need not be produced, but you shall provide the following information with respect to each document:

- (a) date;
- (b) a description of its subject matter and physical size;
- (c) author(s) of the document and each and every other person who prepared or participated in the preparation of the document;
- (d) all addresses or recipients(s) of the original or a copy thereof, together with the date or approximate date on which said recipient(s) received said documents;
- (e) all other persons to whom the contents of the documents have been disclosed, the date such disclosure took place, and the means of such disclosure, the present location of the document, and all copies thereof;
- (f) each and every person having custody or control of the document and all copies thereof;
- (g) job title of every person named in (c), (d), (e), and (f) above; and
- (h) the nature of the privilege or other rule of law relied upon and any facts supporting your position.

11. If, in answering the Request, you claim any ambiguity in interpreting either the Request or a definition or instruction available thereto, such claim shall not be utilized by you as a basis for refusing to respond, but there shall be set forth as part of the response the language deemed to be ambiguous and the interpretation chosen or used in responding to the Request.

8. All documents concerning any analysis or evaluation of the Debtor's exposure to past and present Asbestos Claims performed by or on behalf of the Debtor, including, but not limited to, the evaluation referenced in § 3.2(a) of the Disclosure Statement.

9. All documents concerning the "historical data for not only Shook & Fletcher but also for the industry in general and other similarly situated defendants," as referenced in § 3.2(a) of the Disclosure Statement.

10. All documents provided to the Debtor, or representatives or agents of the Debtor, by MFR Consulting Services, Inc. concerning "the current state of litigation for like cases" referenced in § 3.2(a) of the Disclosure Statement.

11. All documents concerning any analysis or evaluation of whether and to what extent past or present Asbestos Claims fall within the "products" or "completed operations" coverage of any primary or excess liability insurance policies issued to the Debtor at any time.

12. All documents concerning any analysis or evaluation of whether and to what extent past or present Asbestos Claims fall within any alleged "non-products" coverage of any primary or excess liability insurance policies issued to the Debtor at any time.

13. All documents concerning any analysis or evaluation of the exposure of the Debtor to liability for future Asbestos Claims, including, but not limited to, documents concerning whether any alleged future Asbestos Claims would fall within any alleged non-products coverage under the Travelers policies.

14. All documents concerning the selection of the person to represent future Asbestos Claimants (the "Futures' Representative"), including, but not limited to, (i) documents concerning the "numerous candidates" that were considered to serve as the Futures' Representative, (ii) documents concerning the process of selecting R. Scott Williams, Esq. to

RELEVANT TIME PERIOD

Unless otherwise indicated, this Request seeks documents concerning the time period from January 1, 1949 through and including the date of your final supplemental production in response hereto.

DOCUMENT REQUESTS

1. All documents concerning the distribution of all of the outstanding shares of Shook Supply to the Killions in or about August 1999, as referenced in § 4.8(b) of the Disclosure Statement.
2. All documents concerning the distributions made by Shook to stockholders, referenced in § 4.8(a) of the Disclosure Statement during the “Look-Back Period” as defined in § 4.8 of the Disclosure Statement, including, but not limited to, documents that identify the amount of those distributions and when those distributions occurred.
3. All documents concerning any valuation of the distributions referenced in § 4.8 of the Disclosure Statement performed for the benefit of the Killions for tax purposes or any other reason.
4. All documents concerning the loans made to Shook by Shook Supply, as referenced in § 4.8(b) of the Disclosure Statement, including, but not limited to, any agreement(s) identified in § 4.7(a)(2).
5. All documents concerning the creation of Class 4 and the secured claim of Shook Supply.
6. All documents concerning the lien provided by the Debtor to Shook Supply.
7. All financial statements concerning Shook Supply from January 1, 1996 to the present.

serve as the Futures' Representative, as referenced in § 3.4 of the Disclosure Statement, and (iii) the retention agreement entered into between the Debtor and R. Scott Williams on December 13, 2001.

15. All documents concerning any analysis or evaluation performed by the Futures' Representative prior to the preparation of the February 12, 2002 letter of R. Scott Williams "To All Creditors and Parties-In-Interest in Proposed Shook & Fletcher Insulation Co. Chapter 11 Reorganization," including, but not limited to any documents provided by Shook to the Futures' Representative prior to February 12, 2002.

16. All documents concerning the ability of the Debtor to pay Travelers claim against the Debtor for interest in connection with Asbestos Claims paid by Travelers pursuant to the Wellington Agreement.

17. All documents concerning the "due diligence review" conducted by L. Tersigni Consulting, P.C., relating to "(a) the business affairs of Shook & Fletcher, (b) the equity value of Shook & Fletcher, and (c) the feasibility of a plan of reorganization," as referenced in § 3.6 of the Disclosure Statement.

18. All drafts of the Plan of Reorganization, Trust Agreement and Asbestos Claims Resolution Procedures prepared by the Debtor (or its counsel), as referenced in § 3.7 of the Disclosure Statement.

19. All documents concerning the "original term sheet for the prepackaged Chapter 11 Case," including, but not limited to, any drafts thereof, and any documents reflecting communications concerning such "term sheet," as referenced in § 3.7 of the Disclosure Statement.

20. All documents concerning agreements with Asbestos Claimants, or persons representing Asbestos Claimants or other persons or entities with an interest in the resolution of the Debtor's asbestos liabilities, including, but not limited to, the "CCR Settlement Agreement," the "Claimants Agreement," the "SBNP Settlement Agreement," the "Pre-Petition Trust Agreement," and the "Security Agreement," as referenced in § 3.2(a) of the Disclosure Statement.

21. All documents concerning the negotiation of the agreements identified in Request No. 20, including, but not limited to, any communications with Joseph Rice, Esq., or any other attorney representing Asbestos Claimants.

22. All documents concerning the availability of insurance coverage for Asbestos Claims prepared by, on behalf, or for the benefit of Shook that were provided to Joseph Rice, Esq. or any other attorney representing Asbestos Claimants.

23. All documents concerning (i) how Shook valued the work performed by Joseph Rice, Esq. in connection with the negotiation of the agreements referenced in Request No. 13 at \$3,000,000, and (ii) Shook's decision to secure Mr. Rice's \$3,000,000 claim.

24. All documents concerning (i) how Shook valued the work performed by the "Shook Professionals" as that term is defined in the Disclosure Statement and Plan of Reorganization, in connection with the negotiation of the agreements referenced in Request No. 20 at \$1,000,000, and (ii) Shook's decision to secure the Shook Professionals' claims.

25. All documents concerning the decision to secure the payment of past and present Asbestos Claims, but not to secure the payment of future Asbestos Claims.

26. All documents concerning the "Liquidation Analysis" that was performed by, or on behalf of the Debtor, including, but not limited to, (i) all documents concerning the

calculation of the “Estimated Total Unsecured Claims” as referenced in Exhibit C to the Disclosure Statement; (ii) all documents concerning the assertion that the Plan satisfies the “Best Interests Test” as referenced in § 7.3(a)(1) of the Disclosure Statement; and (iii) all documents concerning the “estimates and assumptions” that formed the basis for the Liquidation Analysis as referenced in § 11.1 of the Disclosure Statement.

27. All documents concerning the adequacy of the Disclosure Statement pursuant to Section 1125(a) of the Bankruptcy Code.

28. All documents concerning the extended discussions and negotiations with Claimants’ Counsel, the Futures Representative, the CCR and the Hartford, as referenced in § 1.1 of the Disclosure Statement.

29. All documents concerning the assertion in § 1.5 of the Disclosure Statement that the plan of reorganization for the Debtor is “fair and equitable to all parties in interest.”

30. All documents concerning the assertion in § 2.2 of the Disclosure Statement that “Shook believes that a substantial percentage of the liability payments and defense costs incurred and to be incurred by it or on its behalf has arisen and will arise from claims not subject to the products aggregate limits of its non-settled signatory policies.”

31. All primary and excess liability insurance policies issued to the Debtor, including all endorsements thereto.

32. All documents concerning “alleged voidable transfers made to an insider or with affiliates of Shook & Fletcher” as referenced in § 4.7 of the Disclosure Statement.

33. All documents concerning any evaluation or discussion of “Released Claims” as defined in the Disclosure Statement.

34. All documents concerning how Shook arrived at the amount of the \$3,000,000 “Promissory Note” and the \$300,000 cash payment (as referenced in § 4.7(a)(1) of the Disclosure Statement) as representing a “comprehensive settlement” and “consideration for (i) the full equity value of [Shook] as of the Confirmation Date and (ii) the estimated recovery value (taking into account all applicable defenses) of all alleged voidable transfers made to an insider or with affiliates of [Shook].”

35. All documents concerning the ballots distributed to persons eligible to vote and ballots received by Shook, as referenced in ¶¶ 10 and 11 of the Debtor’s Motion For An Order (i) Scheduling A Combined Hearing On Approval Of The Disclosure Statement And Solicitation Procedures, And To Consider Confirmation Of The Prepackaged Plan Of Reorganization, (ii) Establishing Deadlines And Procedures For Filing Objections To The Adequacy Of The Disclosure Statement And Solicitation Procedures On Confirmation On Confirmation Of The Plan, And (iii) Approving Form And Manner Of Notice Of Confirmation Hearing.

36. All documents concerning any transfer of Shook stock or Shook assets during the six year period preceding the filing of the Voluntary Petition with a value of \$100,000 or greater.

This the _____ day of April, 2002.

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